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SSCI Guidelines

INSPECTOR GENERAL  
76-2876

SSCI  
77-0132

UIC # 10-2481

1 SEP 1976

Executive Registry  
76-94301

MEMORANDUM FOR: Deputy Director of Central Intelligence

VIA : Legislative Counsel

FROM : John H. Waller  
Inspector General

SUBJECT : Proposed Guidelines for Conduct of Negotiations with  
Senate Select Committee on Intelligence for Renewed  
Audit of CIA

SSCI App

1. During your confirmation hearings, Senator Inouye of the Senate Select Committee on Intelligence requested "that the CIA and its appropriate officials get together with GAO and come up with suggested guidelines" for reinstituting GAO audits of CIA. The Legislative Counsel and I have reviewed the possible options for some form of General Accounting Office audit of CIA and have consulted the Directorates and other staffs. It is generally agreed that negotiations concerning procedures and guidelines for a renewed audit of the Agency should be conducted directly with the Select Committee rather than with the General Accounting Office. To the maximum extent possible, any audit should be considered an audit by the Senate Select Committee, drawing on GAO expertise as required, rather than a GAO audit per se. Initial contact between the Legislative Counsel and the Staff Director of the Senate Select Committee was made on 24 August 1976, at which time the Staff Director appeared receptive to proceeding along the lines outlined in paragraph 2 below. If you agree that we should continue in this direction, representatives from the Office of Legislative Counsel, the Chief, Audit Staff, and an inspector will begin negotiating with the Select Committee to reach agreements on conditions for the renewed audit, utilizing as a first negotiating position the guidelines outlined in paragraph 4 below.

2. Regarding the guidelines under which the GAO auditors would conduct their activities, it is proposed that such auditors:

a. Be assigned to and under the control of the Select Committee, receiving all work instructions from that Committee (the Comptroller General suggested a similar arrangement during testimony before the Pike Committee last year);

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b. Report their progress and findings only to the  
Select Committee, not the GAO hierarchy;

c. Be cleared for access to classified information  
under the same arrangement as agreed to by the Executive  
Branch and the Select Committee for the Select Committee  
staff members (including full background investigation  
and nondisclosure agreement); and

d. Conduct the audit and leave all working papers in  
secured Agency or Committee premises (preferably Agency  
premises).

3. There is probably no valid basis on which the Agency could  
limit the scope of audits conducted by GAO auditors under the aegis  
of the Select Committee, especially in today's review climate, as  
evidenced by the House Appropriations Committee survey of the DDO.  
If, as is likely, full scope audits are proposed, including manage-  
ment and program audits, access to internal and fiscal documentation  
for all activities would be permitted except for external review or  
verification of certain activities, listed in paragraph 4, the dis-  
closure of which to outside auditors would present an unacceptable  
risk of compromise of highly sensitive Agency activities, and  
including access to agent identities and particular operations per-  
sonally certified by the DCI as noted in paragraph 5 below.

4. The following activities consisting of external verifications  
or evaluations of transactions or activities not openly Agency sponsored  
would not be permitted to GAO auditors attached to the Select Committee  
because of the danger of compromising the Agency mission:

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5. The auditors should be given access to internal fiscal and program documentation except as precluded on the personal certification of the DCI. This authority would be used to protect:

- a. True name identities of agents; and
- b. Extremely sensitive operations of a character requiring treatment within the Agency on a strictly compartmentalized basis.

6. Should the GAO not accept the condition that it conduct its audits under the aegis of the Senate Select Committee, we shall reconsider the situation, and consult with you. It can be expected, moreover, that the above proposed exclusions will be challenged as overly broad, particularly certain of those in paragraph 4. At a minimum, however, the Director's responsibilities and authorities to expend unvouchered funds and to protect intelligence sources and methods--here involving agent names, locations, and other identifying data, as well as information specifically dealing with or tending to identify extremely sensitive operational programs and activities--must be maintained and made clear to the Senate Select Committee members, the Committee staff, and the GAO auditors.

(signed)  
John H. Waller

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APPROVED: 7s/ E. H. Knoche

DATE: 4 SEP 1976

DISAPPROVED: \_\_\_\_\_

DATE: \_\_\_\_\_

Distribution:

Orig - Addressee

1 - IG Subject

1 - IG Chrono

~~1~~ - Legislative Counsel

1 - Chief, Audit Staff

1 -  Chrono

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